

OSC Follow-Up to Joint Oversight Committee for IT

1) *How much money will it take to solve the 'Challenges' we have?*

Additional annual recurring funding necessary to meet current operations and maintenance demands is estimated to be approximately \$1.4M. Positions equate to \$630K, maintenance and support equal \$180K, and ITS related hosting, storage and support costs are \$585K. The greater challenge for our statewide ERP system is not having a long range funding model, a capital asset reserve account that provides a means of future financial support for regular growth, storage needs, modifications, enhancements, and equipment upgrades required as a normal part of an ERP asset life cycle to prevent any possible failure or atrophy. This is particularly critical to meet unavoidable cost increases relating to annual storage demands, annual ERP vendor maintenance increases, and system equipment upgrades required approximately every four years.

2) *Have we done a benefit analysis of the HR/Payroll system now that it has been installed, and does it match what we expected before the project started?*

The purpose of investing in the HR/Payroll ERP was to mitigate the risk of continuing to run with a 30 plus year old system that was being patched together to make payrolls. At that same time, there were several areas identified that we knew would be improved with the new integrated ERP.

While it is not included in the summary table below due to the difficulty in quantifying the improvement pre BEACON to post BEACON, we do know that a 2005 State Auditor's report identified an agency that had \$242,000 of overpayments for a period of 7 months. If that figure were annualized, it would be ~\$415K. The Audit report indicated that the agency was able to recover 48% of the over payment which extrapolated would mean that on an annual basis, the state lost at least the remaining 52% or \$216K. This is for one agency alone. Due to the way the new HR/PY system works, when an overpayment is detected, it reaches back (retroactively to the separation date of the action) and sets up a claim. In the past, it was all manual and some agencies were more aggressive than others in collecting the overpayments. We also know that since we have been providing agencies metrics to measure how long it takes to process separations, the aggregate metric for all agencies using the new HR/PY system has improved by 17 points. That is, metrics for the second quarter 2009 showed that 69% of the separation actions were processed by agencies within 30 days which minimizes overpayments. In the second quarter 2010 86% of the separation actions were processed within 30 days. That is a positive trend and agencies are taking note of the visibility and usefulness of the metrics.

More tangible and measureable savings include individual employee time to update personal information and enroll in benefits being reduced. HR/Payroll/Benefit staff time required to process, store and retrieve hard copy paper documents has been reduced. Overpayments for incorrect time entry, coding, and length of time to process have also been reduced due to consistent HR policies

OSC Follow-Up to Joint Oversight Committee for IT

applied system wide, faster on-line processing capabilities and on-line review/reporting requirements. Employees using on-line ESS no longer complete paper time sheets that must be manually processed/entered and thus time sheets are no longer potentially lost or held up for processing. Pay stubs are no longer printed / distributed as employees using ESS can access/view on line. W-2 reprints/duplicates, when required, can now be retrieved from ESS by the employee and no longer require printing, mailing and distribution. Security, timeliness, and efficiency of on-line processing as well as cost savings of not having and processing paper documents are all added benefits to the risk mitigation achievement of BEACON. The table below indicates specific savings realized in these areas over the past two fiscal years.

Business Area	FY 0809	FY 0910
Time Spent Changing Personal Information	\$417,053	\$576,053
Time Spent Enrolling in Benefits	606,331	1,779,362
Qualifying Event Changes		
Updates/Changes	369,573	257,303
Cost of Lost Payroll Stubs	3,895,353	3,423,090
Cost of Lost Timesheets: DOC and DOT	103,911	93,383
Personnel File Storage	11,519	21,462
Cost of Lost W-2 Forms	266,714	265,216
Payroll Documents	88,018	88,149
Cost of Annual NCFlex Enrollment Forms	21,000	34,125
Cost of State Health Plan Forms	5,618	45,885
Total Savings	\$5,785,090	\$6,584,027

3) *How do we compare against other states that have a SAP HR/Payroll solution? (in terms of costs per employee)*

We have not been able to find concrete apples to apples comparison data with any states since they all vary in size and complexity and vary in the amount of SAP modules that they employ. However, OSC keeps very good track of what we spend per employee and per remittance.

The cost per remittance is \$9.51. This includes all the hardware and software that supports the HR/Payroll system as well as system support staff at OSC and the Call Center. It includes all the work required to maintain withholdings, garnishments, benefits support, time entry, employee and manager self serve support, W2 processing, information archiving of historical data and public information requests to name a few.

OSC Follow-Up to Joint Oversight Committee for IT

If we look at payroll alone and compare those costs associated with generating a payroll for an employee, we compare very favorably to the The Hackett Group's 2009 Payroll Performance Study. The Hackett Group calculates 'total process cost per employee' by dividing the labor cost by the total number of employees. Hackett's benchmark is \$41. OSC's would be about \$34 which is 17% better than the benchmark.

4) *Has the call center staffing been reduced since go-live? (since the number of calls has been reduced). By how much?*

	Go Live 2008 FTE's	October 2010 FTE's	% Change
Permanent Call Center Reps	21	17*	-19%
Supervisors	3	3	0
Managers	1	1	0
Temporary Call Center Reps	9	2	-78%
Total	34	23	-32%
*2 positions given up for budget cuts			

Yes the call center staffing has been reduced since go-live, but not intentionally and not because the number of calls or tickets have been reduced. Two positions were given up in a round of budget cuts. Other positions have been held vacant to meet budget constraints.

Considering that the new integrated system was a major change from the old non-integrated system, there were many calls in the first year since go-live (105,319) and it was taking ~80 seconds to answer the calls. Arguably OSC was 'understaffed' at go-live, but managed to get up and running very quickly as evidenced by the many positive trending metrics regarding time to answer the call (down to 9 seconds), abandoned calls (less than 2%) and first call resolution (improved from 56% to 70%).

Given that the open ticket backlog is running at about 900, one could argue that if we had more call center reps, we would be resolving open issues at a much faster pace. One must also factor in that our call representatives not only answer the phone, they resolve open tickets as well.

Temps are brought in during benefits enrollment. There are no incremental dollars allocated to OSC to cover these incremental expenses associated with providing 'seasonal' enterprise agency support. An estimate of that cost per year is ~\$102K for 2 temps utilized throughout the year and 4 temps to assist with NC Flex and SHP enrollment. If all employees were using Employee Self Service (ESS), OSC would not have to hire temps.

OSC Follow-Up to Joint Oversight Committee for IT

5) *What are the reasons that all agencies are not on ESS and how many employees does that include? (also include the plans for agencies to get on ESS).*

ESS (Employee Self Serve) Access: ESS is one of the many benefits of the system which allows employees to enter time; review their pay /time / benefits participations statements; as well as complete benefits enrollment on line.

All employees in the system have ESS (Employee Self Serve) access assigned to their position. However access to the system is controlled by the agency with their issuance of an NCID (the authentication process) to their employees.

OSC pays 90,000 to 100,000 employees a month through bi-weekly and monthly payroll cycles. . About two thirds of the 100,000 employees are authenticated in our system; leaving approximately 34,000 employees that are not using the ESS capability.

Agency ESS adoption inhibitors are mainly cost based. Agencies with large populations of employees without access to state computers will incur infrastructure costs of providing PC and printer kiosks where employees can log in to access their personal data. There is also a cost with assigning those employees email accounts or allowing employees to use their personal email accounts to access via NCID authentication the system.

OSC has been working closely with **DOC** to roll ESS out to all of their employees by the end of February 2011. OSC is supporting DOC from both a project management and training perspective. **DOT** allows employees who do not have access to state issued PC's to use their personal email accounts with NCID authentication to gain access to our HR/Payroll system. DOT also has payroll field staff who (can) print pay statements and time statements for all employees without access to PC's. **DHHS** is pursuing implementing ESS at their facilities that already have computers available to their employees by providing NCID to employees at those locations.

6.) *Are our temp employees used during benefits enrollment full time employees of the state?*

No. The temps work through Temporary Solutions (OSP) and are not permanent full time employees. They are temporary, not eligible for benefits or creditable service. You may compare them to someone working for Manpower or Account Temps, both which are temporary agencies.